



Economy

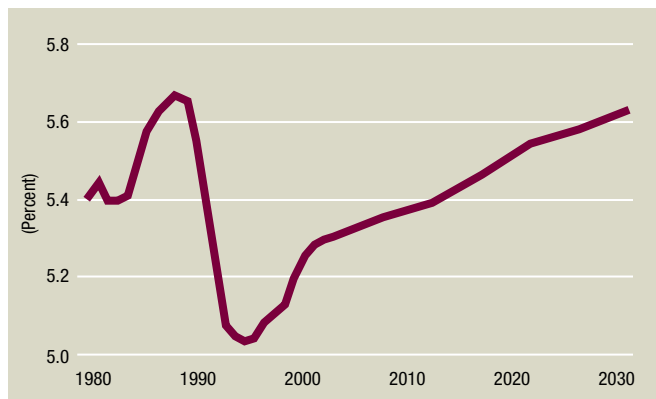
THE CHALLENGE

While the SCAG region has a strong economic base with several sectors poised for growth in jobs and wages, policy intervention can help to ensure that the regional economy grows in the quantity and quality of jobs. Specifically, the region's challenge is to add a projected three million jobs between 2005 and 2035. The projected job growth needs to provide a wide range of job opportunities for residents while requiring additional workers at all skill levels.

Current projections indicate that the SCAG region should enjoy job growth faster than the national growth rate (Figure 10.1). While the region experienced a severe recession in the

FIGURE 10.1

SCAG Region Share of U.S. Jobs



Source: SCAG

1990's led by downturns in aerospace and construction jobs that dropped the region's share of U.S. jobs from 5.7 percent in 1990 to 5.0 percent in 1995, the SCAG region has outpaced the nation in job growth since 1995. By 2005, the region's share of U.S. jobs rose steadily to 5.3 percent.

Jobs in the region are projected to continue to increase faster than the national growth rate and by 2035 the SCAG region is projected to capture 5.6 percent of U.S. jobs, still slightly below the high level of 1990.

Sectors like international trade; architectural and design services; tourism and entertainment; technology and the nation's largest manufacturing complex give the region a good head start on developing a prosperous economy over the next 30 years.

However, the projected job and income growth will not come automatically. Economic growth and the chance for broadly shared prosperity depend on meeting a number of substantial economic challenges.

Improving the Economic Competitiveness of Key Sectors

In this increasing globalized economy, regions compete for the location of industries that export goods and services across not only their own country but around the world. The SCAG



HOW ECONOMY POLICIES PRODUCE MULTIPLE BENEFITS

Land Use and Housing: A strong and diverse economy provides for jobs and affordable housing necessary for our growing, changing population.

Open Space and Habitat: Economic policies that support agricultural would benefit the top producing counties of Riverside, Imperial and Ventura and preserve open lands.

Water: Economic investments could be directed to regional and local projects that address the goals of a watershed or larger-scale planning and management area. This performance-based incentive policy could restore watersheds, improve water quality and enhance water conservation.

Energy: If energy and climate change policies are designed to create direct incentives for California companies that invest in new technologies, the Gross State Product (GSP) could increase by up to \$74 billion annually and create 89,000 new jobs by 2020.

The region's challenge is to add three million jobs at all skill levels by 2035

region faces challenges in providing the infrastructure to support local, national, and international goods movement as well as providing for the mobility needs for the rest of the economy. Such investments must also occur within a context of environmental quality, justice and respect for local communities.

Moreover, the region must increase its share of employment in those industries and service sectors where wages and salaries will be higher than average and where growth, nationwide and internationally, is expected to be strong (e.g. professional, business and information services, wholesale trade and transportation services, tourism and entertainment sectors, and high technology and green technology sectors). It should also include industries with a defined career ladder that do not necessarily require advanced education (e.g. logistics). At the same time that it pursues growth in these sectors, the region must maintain a sufficiently diverse economic base overall and sufficient local, self-reliance, so as protect against over-dependence upon any few industries or income streams and help insulate the regional economy from global downturns.

Education and Workforce Challenges

A skilled workforce is fundamental for turning economic opportunities into successful outcomes for residents and the region. Attracting, retaining, educating and training a diverse, skilled labor force has become an increasingly important objective for regional economies. The ability to attract workers (and firms) is dependent upon the livability and quality of life

for the region, its business climate, and working conditions. Investments in these areas are critical for the SCAG region. The region is facing a draft shift in its labor force as the baby boomers retire and are replaced, in large part by immigrants and their children and grandchildren, many of whom come with a relatively lower level of educational achievement than much of the region's existing labor force. Improvement of the region's educational system as well as training opportunities for adult workers is critical.

Economic Growth Must be Consistent With Regional Environmental, Health, Mobility and Social Justice Goals

International trade can create good job opportunities and raise real income levels for the SCAG region. Significant investment is necessary to improve the efficiency and capacity of the region's goods movement infrastructure if we are to benefit from the growth in international trade expected, while remaining globally competitive. Such changes must also occur within a context of environmental quality (see "The Green Economy"), environmental justice and respect for local communities.

Needed improvements in the region's goods movement infrastructure depend upon cooperation between government and the private sector. Public investment and planning can play a strong role in attracting needed additional private investment. At the same time, improvements to the system should not come at the expense of other transportation system invest-

ments, nor should they be only the burden of local, regional or state governments.

Given current limits on local and state finances, innovative methods will be needed to procure and pay for these system improvements. Both the federal and State governments must act to support innovative procurement and public-private funding mechanisms, and should take legislative action to allow the region to pursue innovative funding strategies. The national purpose served by Southern California's goods movement system also points to the need for strong federal participation in assisting the region with the substantial local burdens it bears in serving this role—including traffic congestion, air pollution, noise, public health impacts, visual blight, and freight-related safety incidents. These burdens are not compensated, thus

forming an effective subsidy for lower-priced goods in other states. The federal government should explore ways to compensate the region for the services it provides.

Quality of Life

Quality of life is an economic competitiveness challenge, as our ability to improve mobility, air quality and housing will influence and be influenced by the economy. Recent trends in housing prices and affordability raise serious challenges for the region in attracting and retaining industries that offer good jobs. Although housing is discussed extensively elsewhere in the RCP, it is important to remember that housing, particularly the lack of diversified options, is a challenge to future regional prosperity.

THE GREEN ECONOMY

Environmental quality and economic growth can go hand in hand. Promoting clean energy and jobs has been found to have a positive impact on the economy and individual pocketbook as is illustrated in the following studies.

A study by the Economic Policy Institute found that a policy package including development of new energy-efficiency and renewable energy technologies, transitional assistance to compensate any workers and communities harmed by the policies, and a modest carbon/energy tax would reduce U.S. carbon emissions by 27% in 2010 and by 50% in 2020 and increase GDP increase by a modest 0.24% in 2010 and by 0.6% in 2020, and add an additional 660,000 net jobs would be created in 2010, 1.4 million in 2020.¹

In addition, a report, "Economic Growth and Greenhouse Gas Mitigation in California," offered an independent assessment of the economic impacts of AB 32. This study conducted by the University of California, Berkeley, and delivered to the state legislature on August 16, 2006, found that returning California greenhouse gas emissions to 1990 levels by 2020, as identified in AB 32, can boost the annual Gross State Product (GSP) by \$60 billion and create 17,000 new jobs by 2020. The study found that the gains could be up to \$74 billion in annual GSP and 89,000 new jobs by 2020 - if climate policies are designed to create direct incentives for California companies to invest in new technology.²



HOW ECONOMY POLICIES PRODUCE MULTIPLE BENEFITS

Air Quality: The unintended consequences of a vibrant economy could produce increased air pollution, primarily along major corridors. However, a comprehensive economic program would recognize potential environmental and social externalities and help distribute the costs and benefits in a way that reduces the negative air quality impacts of more economic activity and an expanded surface transportation system.

Solid Waste: Strong economic policies could help promote the reuse and recycling of materials through incentive programs, thereby reducing the amount of waste disposed of at landfills.

Transportation: A strong economy generally increases the need for movement of passengers and freight, which challenges the region to provide adequate capacity to provide a safe and efficient transportation system.

RCP promotes sustained economic health that diversifies our economy

Strengthening Local Self-Reliance

A major challenge for the region is to maintain and strengthen local-self reliance while recognizing the need to diversify the region's economy and expand Southern California's role in the global economy. Our ability to create jobs and produce goods locally that serve the needs of our six-county region can only enhance the long-term sustainability of an economy that doesn't have to import all of its needs. The environmental and economic costs of transport alone can temper the trend toward farming out jobs and importing goods from cheaper manufacturing centers outside the region and country. However, finding a healthy balance between self-reliance and strategic participation in the global economic marketplace will be a key challenge for Southern California.

THE PLAN

The RCP is built on the notion that our region needs to grow by balancing economic prosperity with environmental protection and local quality of life goals. To that end, the RCP recommends policies that promote mutually supportive economic development strategies, land use decisions, transportation investments, and educational improvements. These include:

- Locating new housing near existing jobs and new jobs near existing housing
- Designing/building 'green' to save resources, reduce costs and increase competitiveness
- Identifying and addressing issues related to environmental justice in the formulation of policies and plans (as required in Title VI of the Civil Rights Act of 1964, President Clinton's 1994 Executive Order 12898, and related DOT and FHWA Orders)
- Strengthening local self-reliant industries that provide jobs and goods for our region's needs
- Developing a well-educated work force
- Fiscal and governmental policies that support these approaches

This comprehensive strategy prioritizes the notion that local businesses must be profitable and competitive regionally, nationally and internationally. However, it also addresses the physical, economic, environmental and human capital dimensions. For example, it recognizes the need to alleviate poverty and meet the basic needs of all who participate in our economy. In addition, such a strategic vision will only succeed if government agencies, the private sector, non-profit organizations and the region's residents embrace it. Only with the participation and cooperation of all the region's stakeholders will this vision be realized.

ECONOMY GOALS

- Position the SCAG region and its economy to seize opportunities and address challenges that will enhance the region's mobility, livability, prosperity, and sustainability.
- Enable business to be profitable and competitive (locally, regionally, nationally, and internationally).
- Promote an economy that rewards hard work, perseverance, and ingenuity to allow individuals and families to achieve a better quality of life.
- Ensure that the maximum possible number of residents participate in the growth of prosperity in the SCAG region. (Note that a goal of broadly shared prosperity does not imply a strategy of redistributing today's income. Strategies to ensure that future economic gains are broadly distributed are based, by contrast, on expanding opportunity and the commitment of business and government leaders to recognize that individuals and communities left behind today must be made full partners in the growth of tomorrow's economy.)
- Promote sustained economic health through diversifying the region's economy, strengthening local self-reliance and expanding competitiveness.
- Ensure a healthy, flourishing economy that provides sufficient employment opportunities to decrease poverty

and meet the basic needs of all the people who participate in our economy by:

- ▶ Promoting education and workforce training policies that give residents an opportunity to compete for the full range of jobs available with good wages and benefits;
- ▶ Encouraging and enabling charities and non-profits to help provide for the poorest in our region;
- ▶ Achieving economic development while being consistent with the region's sustainability goals for land use, air quality, and other resource areas; and
- ▶ Accomplishing this within an ecological and sustainable context that uses resources wisely.

ECONOMY OUTCOMES

- Increase job growth to add three million jobs to the regional economy by 2035.
- Eliminate gaps in educational achievement between different racial and ethnic groups.
- Increase the real per capita income to restore 1997 levels of household and individual purchasing power.



ECONOMY

HOW ECONOMY POLICIES PRODUCE MULTIPLE BENEFITS

Security and Emergency Preparedness: A stronger economy can help fund the improvements to our security and preparedness plans that help secure the region.

Public Health: A strong economy community investments in infrastructure and programs that directly or indirectly promote public health improvements, such as community parks and after-school programs.

Environmental Justice: Effective economic policies must address environmental justice by investing in cleaner technologies that reduce exposure to harmful pollutants as well as creating sustainable employment opportunities.

Climate Change: Future economic growth must be done in ways that don't increase the region's contribution to global climate change. International accords demonstrate the win-win potential to pursue economic growth while reducing greenhouse gases.

- Expand green technologies and related employment in green technologies and services above and beyond what is needed to meet Title 24³ requirements by 2035.
- Increase the region's economic vitality and attractiveness by focusing housing and job additions in urban centers, employment centers, and transportation corridors, such that there will be a minimum of 35 percent of the region's household growth and 32 percent of employment growth in these areas from their levels in 2005 by 2035.
- Increase the affordability of health care by 50 percent to reduce losses in productivity resulting from inaccessible health care.
- Promote sustained economic health through diversifying the region's economy, strengthening local self-reliance and expanding global competitiveness.

ECONOMY ACTION PLAN

IGR/Best Practices		Legislation	Coordination	Constrained Policies	Potential for Direct/Indirect Benefits								Other Benefits	
					Land Use	Transportation	Air Quality	Water	Energy	Open Space	Security	Solid Waste	Public Health	Climate Change
SCAG Policies (SCAG policies shall be subject to consideration for future Overall Work Plans)														
		X		EC-1 SCAG shall form an active Prosperity Partnership, a coalition of public and private entities, dedicated to developing and implementing a common economic strategy for the SCAG region.										
		X		EC-2 SCAG shall partner with institutions to help develop global trade logistics infrastructure needed for local businesses to remain competitive.		X								
		X		EC-3 SCAG shall partner with economic development organizations to assist in attracting and retaining local and foreign investment.										
		X		EC-4 SCAG, in collaboration with local jurisdictions, shall increase awareness - both private and public sectors - of efforts currently underway supporting industry cluster formation in our region.										
		X		EC-5 SCAG shall encourage regional universities and business schools to explore opportunities to maximize benefits from public dollars.										
		X		EC-6 SCAG shall inform stakeholders (workforce boards, community colleges and businesses) about long-term demographic and workforce trends in the SCAG regional forecast.										
		X		EC-7 SCAG in partnership with local governments shall support K-12 education programs, particularly for at-risk students that help improve high school graduation rates and increase opportunities for all qualified students to attend and graduate from college.										
		X		EC-8 SCAG and local jurisdictions shall partner with workforce boards and community colleges in identifying specialized training courses that; 1) meet current and future job needs, 2) upgrade technological skills and open up career opportunities of adult and young workers, and 3) assist people adapting to change.										
		X		EC-9 SCAG, state agencies and local jurisdictions, should support programs that connect school district databases region-wide to track and assess student performance to better ensure a match between education and skill requirements and attainment.										
		X		EC-10 SCAG should develop partnerships that assist in creating a suite of technologies or a renewable portfolio of services that allow the SCAG region to plan for a greener, more sustainable economy.			X		X				X	
		X		EC-11 SCAG shall actively engage environmental stakeholders to promote efficiencies, conservation, and renewable energy resources by working with the business sector and government agencies, such as the California Center for Sustainable Energy, the state's Environmental Agency (Cal-EPA), the California Transportation Commission, air districts and others.			X		X				X	
		X		EC-12 SCAG shall partner with organizations that promote the creation of new advanced, environmentally friendly, sustainable technologies for all sectors in the region's economy.		X	X		X			X	X	
	X			EC-13 SCAG shall continue efforts to leverage state infrastructure bond financing to our region to implement the enormously challenging goods movements and transit oriented development infrastructure.	X	X	X							
		X		EC-14 SCAG, in collaboration with State agencies and local governments, should support programs that develop workforce in green technology.										
		X		EC-15 SCAG shall explore means of improving housing availability and pricing. Affordable housing shortage is compounding the difficulty for emerging industries to attract and retain demand positions, which are mostly the younger, more recently educated work force. Similarly, it also adds to the difficulties in attracting and retaining employees from other areas.	X									

ECONOMY

IGR/Best Practices	Legislation	Coordination	Strategic Initiatives	Potential for Direct/Indirect Benefits								Other Benefits	
				Land Use	Transportation	Air Quality	Water	Energy	Open Space	Security	Solid Waste	Public Health	Climate Change
SCAG Initiatives (SCAG initiatives shall be subject to consideration for future Overall Work Plans)													
		X	EC-1S SCAG, in collaboration with State agencies and local governments, should promote the region's livability and quality of life, along with its business climate and working conditions by support investments in attracting, retaining, educating, and training a diverse, skilled labor force.										
		X	EC-2S SCAG, in collaboration with State agencies and local jurisdictions, shall promote and support regional policies that: • Promote sustainable economic development, within an ecological context, that uses resources wisely and sustainably and builds sustained economic health. • Reward local ingenuity, initiative, enterprise and creativity. • Give local governments flexibility to attract needed businesses and jobs without compromising social or environmental standards. • Promote fiscal reform at the State, county and local level (involving sales, property and income taxes) to meet the region's capital investment needs. Reform must address increasing local control over school and transportation funds and de-emphasize local dependence on sales tax revenues. Overall, tax systems should be diverse enough to protect against over-reliance upon any small number of income streams. • Work with industries to diversify their industrial bases. • Help local firms replace jobs that cannot be retained. • Expand employment in existing high-wage service-sector firms. • Foster growth of small and medium-sized, locally-based firms	X									
		X	EC-3S SCAG and local jurisdictions shall support development of workforce strategies that upgrade skills and open up career opportunities for adult workers who need to adapt to change.										
		X	EC-4S SCAG in partnership with local jurisdictions shall support an increase in opportunities for immigrants to learn English at convenient times and locations										
X		X	ECS-5S SCAG, in collaboration with State agencies and local governments, shall encourage industries to incorporate more energy efficient resources into their products.					X					X
X		X	EC-6S SCAG and local jurisdictions shall support efforts to increase employment in green, sustainable technologies and/or related industries.										
		X	EC-7S SCAG shall promote the implementation of the Southern California Regional Strategy for Good Movement Action Plan, which is based on three principles: • International trade can create good job opportunities and raise real income levels for the SCAG region. To benefit from the growth in international trade expected, while remaining globally competitive, significant investment is necessary to improve the efficiency and expand the capacity of the region's goods movement infrastructure. Such changes must also occur within a context of environmental quality, environmental justice and respect for local communities. • Improvements to the goods movement system should not come at the expense of other transportation investments nor should improvements by only the burden of local, regional or state government. • Investments in the regional goods movement system should be made to realize regional benefits that have statewide implications		X	X						X	

IGR/Best Practices	Legislation	Coordination	Strategic Initiatives	Potential for Direct/Indirect Benefits							Other Benefits		
				Land Use	Transportation	Air Quality	Water	Energy	Open Space	Security	Solid Waste	Public Health	Climate Change
X		X	EC-8S SCAG in collaboration with State agencies and local governments, should support policies such as: • Market-based emissions trading programs that use a cap with progressive reductions of the cap overtime. • Legislation that promotes “green building” through a mixture of regulation and incentives. • Clean air plans that reduce port-generated pollution from airplanes, vessels, trains, trucks and terminal operating equipment by 45% over the next five years.	X	X	X		X				X	X
X		X	EC-9S SCAG, in collaboration with state agencies and local governments, should support policies that streamline the permit process and regulatory requirements imposed upon developers so as to eliminate excessive review time, cost and inefficiency.	X									
X		X	EC-10S State agencies and local governments should reform the state-local government fiscal relationship to help achieve sound, sustainable development. If government is going to “incentivize” the behavior of its governmental institutions, the incentive needs to be in line with its overall goals and objectives (e.g. making affordable workforce housing available). Local jurisdictions working through their representative advocacy groups (e.g. the League of National Cities) need to work with the state to balance the “fiscalizations” of the land use impacts, moving towards making cities fiscally ambivalent over using land for retail or housing purposes.	X									

Footnotes

¹ Barrett, James P. and J. Andrew Hoerner. Economic Policy Institute. Clean Energy and Jobs: A comprehensive approach to climate change and energy policy. (2002).

² Roland-Holst, David. Economic Growth and Greenhouse Gas Mitigation in California. August 16, 2006.

³ Title 24, Part 6 of the California Code of Regulations sets energy efficiency standards for residential and nonresidential buildings.